CAPSTONE BANK

July 19, 2007

Dear Shareholder:

The management of CapStone Bank is pleased to report positive operating results for the quarter ended June 30, 2007. As you can see from the attached balance sheet, we ended the quarter with $80.6 million in total assets, an increase of $17.9 million or 28.7 % over the $62.7 million reported on March 31, 2007. Loans grew to $65.1 million, an increase of $19.8 million or 43.8% over the $45.3 million reported on March 31, 2007. During the same period, deposits grew to $54.2 million, an increase of $18.3 million or 50.8%. Net income for the period was a negative $182,900 versus a negative $296,500 for the preceding quarter, an improvement of $113,500 or 38.3%. This improvement was a result of increases in net interest income of $172,300 and non-interest income of $14,500, while non-interest expense increased only $35,300 during the period.

We continue to be optimistic regarding the outlook for CapStone for the remainder of this year. It appears our focus on business customers and professionals is being well received in the marketplace. If the local economy continues at its current pace, we anticipate robust growth in both assets and income for the remainder of 2007.

We are very appreciative of the shareholders who have honored us by opening accounts and referring others to our bank. As a shareholder, we hope you will think of CapStone when you have financial needs and encourage you to refer others to us as well. We have an excellent team of professional bankers each of whom is committed to giving the highest quality service possible to our clients.

During the quarter ended June, 30, 2007, there were two trades in CapStone stock. Both trades were for one thousand shares each at a price of $13.00 per share. Please feel free to contact us with any questions or comments you may have about your company.

Sincerely,

Michael S. Patterson
Executive Chairman

Steven R. Ogburn
President and CEO

CAPSTONE BANK

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Balance Sheets (Unaudited)
Dollars in Thousands

	June 30, 2007	March 31, 2007
Assets		
	$	$
Cash and due from banks	1,064	566
Federal funds sold	947	5,878
Investment securities	13,187	10,558
Loans, net of unearned income	65,082	45,261
Less: Allowance for loan losses	(814)	(566)
Premises and equipment, net	558	575
Accrued interest receivable & other assets	602	396
	$	**$**
Total Assets	**80,626**	**62,668**
Liabilities & Shareholders' Equity		
Deposits:		
	$	$
Non-Interest bearing	5,130	2,764
Interest bearing	49,052	33,167
Total Deposits	54,182	35,931
FHLB Advances & other borrowings	3,723	3,932
Accrued expenses and other liabilities	357	221
Total Liabilities	**58,262**	**40,084**
Shareholders' Equity	22,364	22,584

	$	$
Total Liabilities & Shareholders' Equity	**80,626**	**62,668**